BEFORE THE PUBLIC UTILITIES COMMISSION OF THE FILE STATE OF CALIFORNIA 07-31-06 04:59 PM

Application of Southern California Edison)	
Company (U 338-E) for Authorization: (1) to)	Application 04-02-026
replace San Onofre Nuclear Generating Station)	(Filed February 27, 2004)
Unit Nos. 2 & 3 (SONGS 2 & 3) steam)	
generators; (2) establish ratemaking for cost)	
recovery; and (3) address other related steam)	
generator replacement issues.)	

OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON ATTACHMENTS TO ALJ'S RULING

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Dated: July 31, 2006

OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON ATTACHMENTS TO ALJ'S RULING

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I.

INTRODUCTION AND SUMMARY

Pursuant to the Administrative Law Judge's Ruling Concerning Rehearing of Decision (D.) 05-12-040, dated June 22, 2006, (ALJ's Ruling), Southern California Edison Company (SCE) hereby submits its Opening Comments on how the Commission should take into consideration the correct Net Present Value (NPV) calculations for SCE's Steam Generator Replacement Program (SGRP) and calculate the Greenhouse Gas (GHG) adder using an accurate source of data.

The ALJ's Ruling implements D.06-06-040 in which the Commission granted limited rehearing of D.05-12-040 to: (1) take into consideration the correct net present value calculation for the SGRP; and (2) calculate the GHG adder using an accurate source of data. SCE has reviewed the net present value calculations for SGRP in Attachment A of the ALJ's Ruling and determined that those calculations are correct assuming replacement generation for San Onofre Nuclear Generating Station Unit Nos. 2 and 3 (SONGS 2 & 3) is not constructed until 2012. That being said, SCE disagrees with the assumption that the State of California should risk the loss of 2150 megawatts (MW) of power from SONGS 2 & 3 with no replacement until 2012. SCE recommends instead that the Commission modify D.05-12-040 to assume that replacement

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generation is constructed in 2009-2010. With regard to calculation of the GHG adder, SCE has reviewed the values in Attachment B and agrees that these GHG values are appropriate for use in this proceeding.

Π.

THE NET PRESENT VALUE CALCULATIONS IN ATTACHMENT A TO THE ALJ'S RULING APPROPRIATELY REFLECT D.05-12-040

SCE has reviewed the net present value calculations in Attachment A to the ALJ's Ruling. SCE's review confirms that these calculations assume construction of replacement generation for SONGS 2 & 3 in 2012. Therefore, these net present value calculations appropriately reflect current language in D.05-12-040.

As discussed below, SCE recommends modification of the language of D.05-12-040 to assume construction of replacement generation in 2009-2010, rather than replacement of the existing Table of Results with the net present value calculations in Attachment A.

A. <u>D.05-12-040 Was Very Optimistic By Assuming Construction Of Replacement</u> Generation Until 2012

D.06-06-040 granted limited rehearing of D.05-12-040. D.06-06-040 notes that the numbers in the "Table of Results" to D.05-12-040 assumed "that units 2 and 3 would shutdown in 2009-2010 without the SGRP." That being said, D.05-12-040, "adopts a shutdown date of 2012 for use in the cost-effectiveness model." D.06-06-040 then grants "limited rehearing . . . to calculate the net present values for the SGRP based on a shutdown date of 2012 . . ." The numbers in the Table of Results for D.05-12-040 do assume construction of replacement generation for SONGS 2 & 3 in 2009-2010. This is the correct assumption for determining the net present value benefit of SGRP. D.05-12-040 assumed that SONGS 2 & 3 could continue

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D.06-06-040, p. 5.

<u> 2 Id.</u>

<u>Id.</u>

operating until 2012. This was a very optimistic assumption that construction of replacement generation could be deferred until 2012. SCE submitted detailed and persuasive evidence that, in the absence of SGRP, the construction of replacement generation was necessary in 2009-2010. D.05-12-040 ignored this persuasive evidence, to the detriment of California ratepayers.

B. SCE Recommends Modifying The Language Of D.05-12-040 To Assume Construction Of Replacement Generation In 2009-2010

The ALJ's Ruling requests "comments on how the Commission should take into consideration the correct net present value for" SCE's SGRP. SCE recommends that the Commission modify the language of D.05-12-040 to assume construction of replacement generation in 2009-2010, and not modify the Table of Results in that decision. While SCE acknowledges that the net present value calculations in Attachment A to the ALJ's Ruling assume construction of replacement generation in 2012, the appropriate assumption is that construction of replacement generation should occur in 2009-2010.

III.

THE GREENHOUSE GAS (GHG) VALUES IN ATTACHMENT B TO THE ALJ'S RULING WERE CORRECTLY TAKEN FROM THE E3 REPORT

The ALJ's Ruling states that "the dollars per ton rates used to calculate the GHG adder were taken from the report titled 'Methodology and Forecast of Long-Term Avoided Cost for the Evaluation of California Energy Efficiency Programs' prepared by the Energy and Environmental Economics (E3) Consulting Group on October 25, 2004 (E3 Report)." SCE has reviewed Attachment B to the ALJ's Ruling and determined the dollars per ton values in Attachment B were correctly taken from the E3 Report.

The ALJ's Ruling proposes to take official notice of the E3 Report in this proceeding.

SCE does not oppose the Commission taking official notice of the E3 Report in this proceeding.

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Citations.

⁵ ALJ's Ruling, p. 2.

Furthermore, SCE does not take issue with the methodology utilized for calculating the GHG adder for the cost-effectiveness review of the SGRP in D.05-12-040.

A. The Commission's Calculations Are Correct Using The Methodology Identified

The ALJ's Ruling indicates that the GHG adder for each year of the SGRP cost-effectiveness study "is the product of the amount of GHG produced by such generation and the GHG dollars per ton rate for that year" from the E3 Report. The ALJ's Ruling goes on to state that the GHG adder for SGRP as a whole is the present value of the GHG adders for each year of the forecast period. SCE has reviewed the net present value of the GHG adder in D.05-12-040 and confirms that it is a correct calculation using the methodology identified in the ALJ's Ruling and the GHG values in Attachment B to the ALJ's Ruling.

B. The Methodology Utilized Is Acceptable For This Purpose

Ordering Paragraph No. 3 of the ALJ's Ruling states that "to the extent a party disagrees with the GHG adder calculation, it shall include in its comments a detailed explanation of how the calculation should be performed, including sources for input data, and why its proposal is reasonable." The methodology utilized by the Commission in D.05-12-040 is acceptable for the purpose of determining SGRP cost-effectiveness. Therefore, SCE does not propose an alternative methodology in these comments.

IV.

THERE IS NO NEED FOR EVIDENTIARY HEARINGS ON THESE ATTACHMENTS

The ALJ's Ruling proposes to conduct the limited rehearing ordered by D.06-06-040 through the filing of Opening and Reply Comments addressing the information provided in Attachments A and B. SCE concurs with the ALJ's Ruling that the limited rehearing can be

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⁶ ALJ's Ruling, p. 2.

<u> Id.</u>

ALJ's Ruling, Ordering Paragraph 3, p. 3.

conducted through the filing of Opening and Reply Comments on Attachments A and B. SCE sees no need for evidentiary hearings on Attachments A and B. Moreover, there is no material issue of fact raised by the information in Attachments A and B that would require additional evidentiary hearings in this docket.

V.

CONCLUSION

WHEREFORE, Southern California Edison Company respectfully submits its comments on Attachments A and B to the ALJ's Ruling. SCE respectfully requests that the Commission modify the language of D.05-12-040 to assume construction of replacement generation for SONGS 2 & 3 in 2009-2010, rather than adopting the revised Table of Results in Attachment A. This would resolve the inconsistency between the Table of Results and language of D.05-12-040. SCE does not object to the Commission taking official notice of the GHG values in Attachment B, taken from the E3 Report.

Respectfully submitted,

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/S/

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CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON ATTACHMENTS TO ALJ'S RULING on all parties identified on the attached service list(s).

Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

Executed this 31st day of July, 2006, at Rosemead, California.

/s

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Project Analyst
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A.04-02-026

Monday, July 31, 2006

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CENTRAL FILES
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SAN DIEGO GAS & ELECTRIC
8330 CENTURY PARK COURT
SAN DIEGO, CA 92123-1530-1530
A.04-02-026

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SAN DIEGO GAS & ELECTRIC
8330 CENTURY PARK COURT
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